

TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Arlington Township	County Van Buren County
Fiscal Year End March 31, 2006	Opinion Date September 12, 2006	Date Audit Report Submitted to State 9/19/06	

We affirm that:

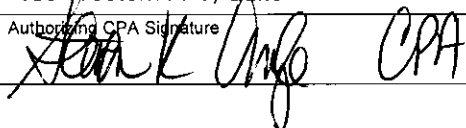
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Angle & Steffes, P.C.		Telephone Number 269-686-9050	
Street Address 430 Western Ave, Suite B		City Allegan	State MI
		Zip 49010	
Authorizing CPA Signature 		Printed Name Steven K. Angle, CPA	License Number 14653

TOWNSHIP OF ARLINGTON

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS	
Government Wide Statement of Net Assets	3
Government Wide Statement of Activities	4
Governmental Fund Balance Sheet	5
Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balance	6
Fiduciary Funds - Statement of Net Assets	7
Notes to the Financial Statements	8 - 17
SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	18
Budgetary Comparison Schedule - Major Road Fund	19
Budgetary Comparison Schedule - Major Fire Fund	20
ADDITIONAL INFORMATION	
Combining Balance Sheet - Non-Major Governmental Funds	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major Governmental Funds	22

INDEPENDENT AUDITOR'S REPORT

September 12, 2006

To the Township Board
Township of Arlington
VanBuren County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arlington, VanBuren County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arlington Township, VanBuren County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Arlington as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of March 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 and 18 through 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,


Angle & Steffes, P.C.
Certified Public Accountants

Management's Discussion and Analysis Arlington Township, Van Buren County

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets provides information about the activities of the Township as a whole. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets are \$683 thousand. This number reflects assets that are \$43 thousand below our 2004 analysis. However, if you look at the improvements to the Township Hall as well as road expenditures beyond our voted Road Tax Millage which were supported by the General Fund, it is apparent why our assets have been slightly reduced. The Township's net assets are very sound.

Governmental Activities

The Township has basically maintained its financial position overall, while making extensive repairs to Township roads and improvements to the Township Hall. The Township did not incur any debt from these ongoing projects.

Economic Factors and Next Year's Budgets and Rates

Even as continuity in the State Revenue Sharing is questionable, we feel that our tax base will slightly increase due to increased property values and new home construction within the Township. We will continue road improvements to at least the extent that the Road Millage will allow.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office at 48030 C.R. 673, Lawrence, MI 49064.

TOWNSHIP OF ARLINGTON
GOVERNMENT WIDE STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and cash equivalents	\$ 513,685	\$ 513,685
Investments	0	0
Receivables - net	70,197	70,197
Capital assets - net	<u>125,515</u>	<u>125,515</u>
 Total Assets	 <u>709,397</u>	 <u>709,397</u>
LIABILITIES		
Accounts payable	22,604	22,604
Accrued and other liabilities	2,847	2,847
Noncurrent Liabilities		
Due within one year	0	0
Due in more than one year	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>25,451</u>	 <u>25,451</u>
NET ASSETS		
Invested in Capital Assets		
Net of related debt	125,515	125,515
Restricted For		
Streets and highways	92,437	92,437
Public safety	0	0
Unrestricted	<u>465,994</u>	<u>465,994</u>
 Total Net Assets	 <u><u>\$ 683,946</u></u>	 <u><u>\$ 683,946</u></u>

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ARLINGTON
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
					Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government							
General government	109,819	5,850	0	0	(103,969)	0	(103,969)
Public safety	132,378	9,661	0	0	(122,717)	0	(122,717)
Public works	272,374	0	0	0	(272,374)	0	(272,374)
Health and welfare	27,547	0	0	0	(27,547)	0	(27,547)
Total Governmental Activities	542,118	15,511	0	0	(526,607)	0	(526,607)
Total Primary Government	\$ 542,118	\$ 15,511	\$ 0	\$ 0	(526,607)	0	(526,607)
General Revenues							
Property taxes					301,312	0	301,312
State-shared revenues					163,600	0	163,600
Interest					8,333	0	8,333
Franchise fees					0	0	0
Miscellaneous					2,025	0	2,025
Transfers					0	0	0
Total General Revenues-Special Items and Transfers					475,270	0	475,270
Change in Net Assets					(51,337)	0	(51,337)
Net Assets-Beginning					735,283	0	735,283
Net Assets-Ending					\$ 683,946	\$ 0	\$ 683,946

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ARLINGTON
GOVERNMENTAL FUND BALANCE SHEET
March 31, 2006

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 432,957	\$ 80,728	\$ 0	\$ 0	\$ 513,685
Investments	0	0	0	0	0
Receivables - net	31,628	11,683	16,051	3,496	62,858
Due from other funds	7,271	26	34	8	7,339
Prepays	0	0	0	0	0
Total Assets	471,856	92,437	16,085	3,504	583,882
LIABILITIES					
Accounts payable	5,862	0	13,238	3,504	22,604
Due to other funds	0	0	2,847	0	2,847
Total Liabilities	5,862	0	16,085	3,504	25,451
FUND BALANCES					
Reserved for	0	92,437	0	0	92,437
Road projects	465,994	0	0	0	465,994
Unreserved					
Total Fund Balances	\$ 465,994	\$ 92,437	\$ 0	\$ 0	\$ 558,431

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	125,515
Net Assets of Governmental Activities	\$ 683,946

The Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF ARLINGTON
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
March 31, 2006

	General Fund	Road Fund	Fire Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and penalties	58,925	92,123	122,717	27,547	301,312
Licenses and permits	0	0	0	9,661	9,661
State aid	160,242	3,358	0	0	163,600
Charges for services	5,850	0	0	0	5,850
Interest and rentals	8,078	255	0	0	8,333
Other revenue	2,025	0	0	0	2,025
Total Revenues	235,120	95,736	122,717	37,208	490,781
Expenditures					
Current					
General government	105,021	0	0	0	105,021
Public safety	0	0	122,717	9,661	132,378
Public works	10,593	261,781	0	0	272,374
Health and welfare	0	0	0	27,547	27,547
Recreation and cultural	0	0	0	0	0
Community/Economic development	14,617	0	0	0	14,617
Capital outlay	28,312	0	0	0	28,312
Total Expenditures	158,543	261,781	122,717	37,208	580,249
Excess of Revenues Over (Under) Expenditures	76,577	(166,045)	0	0	(89,468)
Other Financing Sources (Uses)					
Transfers in	0	164,404	0	0	164,404
Transfers (out)	(164,404)	0	0	0	(164,404)
Total Other Financing Sources (Uses)	(164,404)	164,404	0	0	0
Excess of Revenue and Other Sources Over (Under) Expenditures & Other Uses	(87,827)	(1,641)	0	0	(89,468)
Fund Balance-April 1, 2005	553,821	94,078	0	0	647,899
Fund Balance-March 31, 2006	\$ 465,994	\$ 92,437	\$ 0	\$ 0	\$ 558,431

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON
FIDUCIARY FUNDS-STATEMENT OF NET ASSETS
MARCH 31, 2006**

	<u>Agency Fund (Property Tax Collection Fund)</u>
ASSETS	
Cash and cash equivalents	\$ 4,871
Total Assets	<u>\$ 4,871</u>
LIABILITIES	
Accounts payable	\$ 0
Due to other funds	4,492
Due to other governmental units	<u>379</u>
Total Liabilities	<u>\$ 4,871</u>

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Arlington, Van Buren County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Arlington conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. The Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund is a Special Revenue Fund of the Township. The Road Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

The Fire Fund is a Special Revenue Fund of the Township. The Fire Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specified purposes.

Additionally, the government reports the following non-major fund types:

The Building Inspection Fund is a Special Revenue Fund of the Township. The Building Inspection Fund is used to account for all resources of the Township's permits and licenses.

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(continued)

The Hospital and Senior Services Funds are Special Revenue Funds of the Township. These funds are used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for specific purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Arlington does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Tax Collection Fund is a Fiduciary Fund accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 40 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Fire Equipment	07 to 25 years
Vehicles	03 to 05 years
Office Equipment	05 to 07 years
Computer Equipment	03 to 07 years

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

Capitalized Asset Costs	\$ 142,227
Less Accumulated Depreciation	<u>(16,712)</u>
Capital Assets, net	125,515
Governmental Fund Balances	<u>558,431</u>
Net Assets of Governmental Activities	<u>\$ 683,946</u>

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit did not incur expenditures in certain budgeted funds which were in excess of the amounts appropriated.

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	<u>\$513,685</u>	<u>\$ 513,685</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 513,685
Investments in Securities, Mutual Funds and Similar Vehicles	-
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 513,685</u>

The bank balance of the primary government's deposits is \$513,685, of which \$459,886 is covered by federal depository insurance.

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

	Major Funds			Non-Major and Other Funds	Total
	General Fund	Road Fund	Fire Fund		
Taxes receivable	\$ 6,688	\$ 11,683	\$ 16,051	\$ 3,496	\$ 37,918
State share revenues receivable	24,940	0	0	0	24,940
Due from other funds	7,271	26	34	8	7,339
Less: allowance for uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Receivables	<u>\$ 38,899</u>	<u>\$ 11,709</u>	<u>16,085</u>	<u>\$ 3,504</u>	<u>\$ 70,197</u>

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 25,500	\$ 12,060	0	\$ 37,560
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>25,500</u>	<u>12,060</u>	<u>0</u>	<u>37,560</u>
Capital Assets Being Depreciated				
Buildings	77,638	13,040	0	90,678
Improvements other than buildings	0	0	0	0
Machinery and equipment	<u>11,527</u>	<u>2,462</u>	<u>0</u>	<u>13,989</u>
Subtotal	<u>89,165</u>	<u>15,502</u>	<u>0</u>	<u>104,667</u>
Less Accumulated Depreciation for				
Buildings	7,677	2,867	0	10,544
Machinery and equipment	<u>4,237</u>	<u>1,931</u>	<u>0</u>	<u>6,168</u>
Subtotal	<u>11,914</u>	<u>4,798</u>	<u>0</u>	<u>16,712</u>
Net Capital Assets Being Depreciated	<u>77,251</u>	<u>10,704</u>	<u>0</u>	<u>87,955</u>
Governmental Activities Capital Total				
Capital Assets-Net of Depreciation	<u>\$ 102,751</u>	<u>\$ 22,764</u>	<u>\$ 0</u>	<u>\$ 125,515</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$ 4,798
Public safety	0
Public works	0
Economic development	0
Recreation and culture	<u>0</u>
Total Governmental Activities	<u>\$ 4,798</u>

**TOWNSHIP OF ARLINGTON
VAN BUREN COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006**

NOTE 8 - FIRE SERVICES

The Township is a member of the A.B.B. Joint Fire District. The participants of the Joint Fire District include the City of Bangor, and Townships of Bangor and Arlington. The community fire district provides fire protection services to the residents of the respective municipalities. Operating charges are assessed to the participants in a ratio proportionate to their state equalized values of the real property. The Township appoints one member to the joint venture's governing board, and also approves the annual budget.

The support to the A.B.B. Joint Fire District was \$99,717 for the current fiscal year.

Arlington Township also contracts with the Lawrence Township Fire Department, paying them \$23,000 for fire services in the fiscal year.

REQUIRED SUPPLEMENTAL INFORMATION

**TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	553,821	553,821	553,821	(0)
Resources (Inflows)				
Property taxes	51,000	51,000	58,925	7,925
State aid	154,400	154,400	160,242	5,842
Licenses and permits	1,000	1,000	0	(1,000)
Charges for services	3,700	3,700	5,850	2,150
Interest and rentals	1,000	1,000	8,078	7,078
Miscellaneous revenues	100	100	2,025	1,925
Transfers from other funds	0	0	0	0
Amounts Available for Appropriation	765,021	765,021	788,941	23,920
Charges to Appropriations (Outflows)				
General Government				
Township board	19,230	21,230	21,068	162
Supervisor	11,000	11,000	11,000	0
Treasurer	16,185	15,900	15,852	48
Assessing	11,250	16,000	15,953	47
Clerk	12,675	12,675	12,323	352
Elections	4,450	4,450	0	4,450
Finance	3,000	5,200	5,125	75
Board of review	1,325	1,325	1,275	50
Other General Government				
Building & grounds	3,125	3,800	3,778	22
Attorney	7,000	6,000	5,767	233
Cemetery	9,600	13,000	12,880	120
Public works	10,900	10,900	10,593	307
Health & welfare	415	415	0	415
Community & economic development	15,400	15,400	14,617	783
Capital outlay	12,250	28,500	28,312	188
Transfers to other funds	73,395	182,600	164,404	18,196
Total Charges to Appropriations	211,200	348,395	322,947	25,448
Budgetary Fund Balance-March 31	<u>\$ 553,821</u>	<u>\$ 416,626</u>	<u>\$ 465,994</u>	<u>\$ 49,368</u>

**TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 94,078	\$ 94,078	\$ 94,078	\$ 0
Resources (Inflows)				
Property taxes	78,000	78,000	92,123	\$ 14,123
State aid	0	0	3,358	\$ 3,358
Interest revenue & misc	1,400	1,400	255	\$ (1,145)
Transfers from other funds	73,395	182,600	164,404	\$ (18,196)
Amounts Available for Appropriation	<u>246,873</u>	<u>356,078</u>	<u>354,218</u>	<u>(1,861)</u>
Charges to Appropriation (Outflows)				
Public Works				
Roads	<u>152,795</u>	<u>262,000</u>	<u>261,781</u>	<u>219</u>
Total Charges to Appropriations	<u>152,795</u>	<u>262,000</u>	<u>261,781</u>	<u>219</u>
Budgetary Fund Balance-March 31	<u>\$ 94,078</u>	<u>\$ 94,078</u>	<u>\$ 92,437</u>	<u>\$ (1,641)</u>

**TOWNSHIP OF ARLINGTON
BUDGETARY COMPARISON SCHEDULE
MAJOR FIRE FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Beginning of Year Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Resources (Inflows)				
Taxes and penalties	104,000	123,000	122,717	(283)
Miscellaneous revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Amounts Available for Appropriation	104,000	123,000	122,717	(283)
Charges to Appropriations (Outflows)				
Public Safety				
Fire	<u>104,000</u>	<u>123,000</u>	<u>122,717</u>	<u>283</u>
Total Charges to Appropriations	<u>104,000</u>	<u>123,000</u>	<u>122,717</u>	<u>283</u>
Budgetary Fund Balance-March 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

ADDITIONAL INFORMATION

**TOWNSHIP OF ARLINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006**

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Senior Services</u>	<u>Hospital</u>	<u>Building Inspection</u>	<u>Non-Major Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0
Investments	0	0	0	0
Receivables - net	1,398	2,098	0	3,496
Due from other funds	3	5	0	8
Total Assets	<u>\$ 1,401</u>	<u>\$ 2,103</u>	<u>\$ 0</u>	<u>\$ 3,504</u>
Liabilities and Fund Equity				
Liabilities				
Accounts payable	\$ 1,401	\$ 2,103	\$ 0	\$ 3,504
Due to other funds	0	0	0	0
Total Liabilities	<u>1,401</u>	<u>2,103</u>	<u>0</u>	<u>3,504</u>
Fund Balance				
Reserved	0	0	0	0
Unreserved	0	0	0	0
Total Fund Equity	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Equity	<u>\$ 1,401</u>	<u>\$ 2,103</u>	<u>\$ 0</u>	<u>\$ 3,504</u>

TOWNSHIP OF ARLINGTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2006

	Special Revenue Funds			Total Non-Major Governmental Funds
	Senior Services	Hospital	Building Inspection	
Revenues				
Taxes and penalties	11,017	16,530	0	27,547
Charges for services	0	0	9,661	9,661
Total Revenues	11,017	16,530	9,661	37,208
Expenditures				
Current				
Public safety	0	0	9,661	9,661
Health and welfare	11,017	16,530	0	27,547
Capital outlay	0	0	0	0
Total Expenditures	11,017	16,530	9,661	37,208
Excess of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses)				
Operating transfers in	0	0	0	0
Operating transfers (out)	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	0	0	0	0
Fund Balance-April 1, 2005	0	0	0	0
Fund Balance-March 31, 2006	\$ 0	\$ 0	\$ 0	\$ 0

ANGLE & STEFFES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
American Institute of Certified
Public Accountants (AICPA)

Michigan Association of Certified
Public Accountants (MACPA)

430 WESTERN AVENUE, SUITE B
ALLEGAN, MICHIGAN 49010

STEVEN K. ANGLE, CPA
THERESA E. STEFFES, CPA, CGFM

Ph: (269) 686-9050
Fax: (269) 686-9056
email: mail@anglesteffes.com

September 12, 2006

In planning and performing the audit of the Basic Financial Statements of the Township of Arlington for the year ended March 31, 2006, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of a few matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

Uninsured Funds

The Township currently has cash funds in four banks, with a total of \$53,798.90 over the federally insured level as of March 31, 2006. We recommend that no more than \$200,000 be maintained in any one bank, \$100,000 limit each in savings and demand accounts, to avoid risk of uninsured losses that may occur.

General Ledger Accounting

We recommend that the Township's quarterly compilation process include a more thorough review of transactions. The cash basis compilation, which is a comprehensive basis of accounting other than generally accepted accounting principles, does not include a reconciliation of due to/due from accounts, a complete review of tax levies and related disbursements, and not all special revenue funds are regularly reviewed. In doing this, the township records will be more complete and better reflect the true accountability of the township activity in its General Fund and all related special revenue funds. GASB 34 requires a more involved reporting process. It is recommended that your records move closer to the modified accrual and full accrual methods of accounting. Your attention is required.

General

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all Township employees and officials.

Respectfully submitted,



Angle & Steffes, P.C.
Certified Public Accountants